

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**November 30, 2022**

Polo Village Apartments, located at 560 McMurray Road, Buellton, CA 93427 in Buellton, requested and is being recommended for a reservation of \$1,487,115 in annual federal tax credits and \$5,576,683 in total state tax credits to finance the new construction of 48 units of housing serving families with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by DL Horn and Associates, LLC and will be located in Senate District 19 and Assembly District 37.

**Project Number** CA-22-578

**Project Name** Polo Village Apartments  
**Site Address:** 560 McMurray Road  
 Buellton, CA 93427 County: Santa Barbara  
**Census Tract:** 19.12

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,487,115	\$5,576,683
Recommended:	\$1,487,115	\$5,576,683

\* The applicant made an election not to sell (Certificate) any portion of the state credits.

**Applicant Information**

**Applicant:** Palm Communities  
**Contact:** Danovan Horn  
**Address:** 100 Pacifica, Suite 203  
 Irvine, CA 92618  
**Phone:** (949)878-9367  
**Email:** dhorn@palmcommunities.com

**General Partner(s) or Principal Owner(s):** Palm Communities  
 Surf Development Company

**General Partner Type:** Joint Venture

**Parent Company(ies):** Palm Communities

**Developer:** DL Horn and Associates, LLC

**Bond Issuer:** California Statewide Communities Development  
 Authority

**Investor/Consultant:** PNC Bank

**Management Agent:** Housing Authority of the County of Santa Barbara

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 2  
 Total # of Units: 49  
 No. / % of Low Income Units: 48 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt

**Information**

Housing Type: Large Family  
 Geographic Area: Central Coast Region  
 CTCAC Project Analyst: Nick White

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
30% AMI:	15	31%
50% AMI:	18	38%
60% AMI:	15	31%

**Unit Mix**

6 1-Bedroom Units
30 2-Bedroom Units
13 3-Bedroom Units
<b>49 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2022 Rents Targeted % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
3 1 Bedroom	30%	\$786
2 1 Bedroom	50%	\$1,310
1 1 Bedroom	60%	\$1,572
7 2 Bedrooms	30%	\$943
11 2 Bedrooms	50%	\$1,572
7 2 Bedrooms	60%	\$1,887
5 2 Bedrooms	60%	\$1,887
5 3 Bedrooms	30%	\$1,089
5 3 Bedrooms	50%	\$1,816
2 3 Bedrooms	60%	\$2,179
1 3 Bedrooms	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,900,000
Construction Costs	\$20,763,184
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$862,278
Soft Cost Contingency	\$472,224
Relocation	\$0
Architectural/Engineering	\$1,100,000
Const. Interest, Perm. Financing	\$1,636,652
Legal Fees	\$180,000
Reserves	\$384,099
Other Costs	\$998,631
Developer Fee	\$3,730,222
Commercial Costs	\$0
<b>Total</b>	<b>\$32,027,290</b>

**Residential**

Construction Cost Per Square Foot:	\$488
Per Unit Cost:	\$653,618
True Cash Per Unit Cost*:	\$624,776

**Construction Financing**

Source	Amount
Citibank	\$16,774,102
Citibank Bank Taxable Tail	\$7,380,729
City of Buellton	\$341,491
Deferred Reserves	\$384,099
Deferred Developer Fee	\$3,730,221
Tax Credit Equity	\$3,416,648

**Permanent Financing**

Source	Amount
Citibank Bank	\$13,189,288
City of Buellton	\$341,491
Deferred Developer Fees	\$1,413,276
Tax Credit Equity	\$17,083,235
<b>TOTAL</b>	<b>\$32,027,290</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$28,598,368
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$37,177,878
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,487,115
Total State Credit:	\$5,576,683
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,730,222
Federal Tax Credit Factor:	\$0.86000
State Tax Credit Factor:	\$0.77000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Significant Information / Additional Conditions:** None.

**Resyndication and Resyndication Transfer Event:** None.

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by CTCAC in its final feasibility analysis.

**CDLAC Additional Conditions**

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.